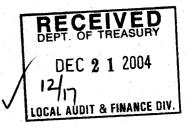
# **HOPE TOWNSHIP**

Midland County, Michigan 56-1050



## FINANCIAL STATEMENTS

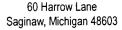
June 30, 2004



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Yes	✓ No		amen	ded).						nting and Bud		
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(989) 791-1555 Fax (989) 791-1992



#### INDEPENDENT AUDITORS' REPORT

To the Township Board Hope Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hope Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hope Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

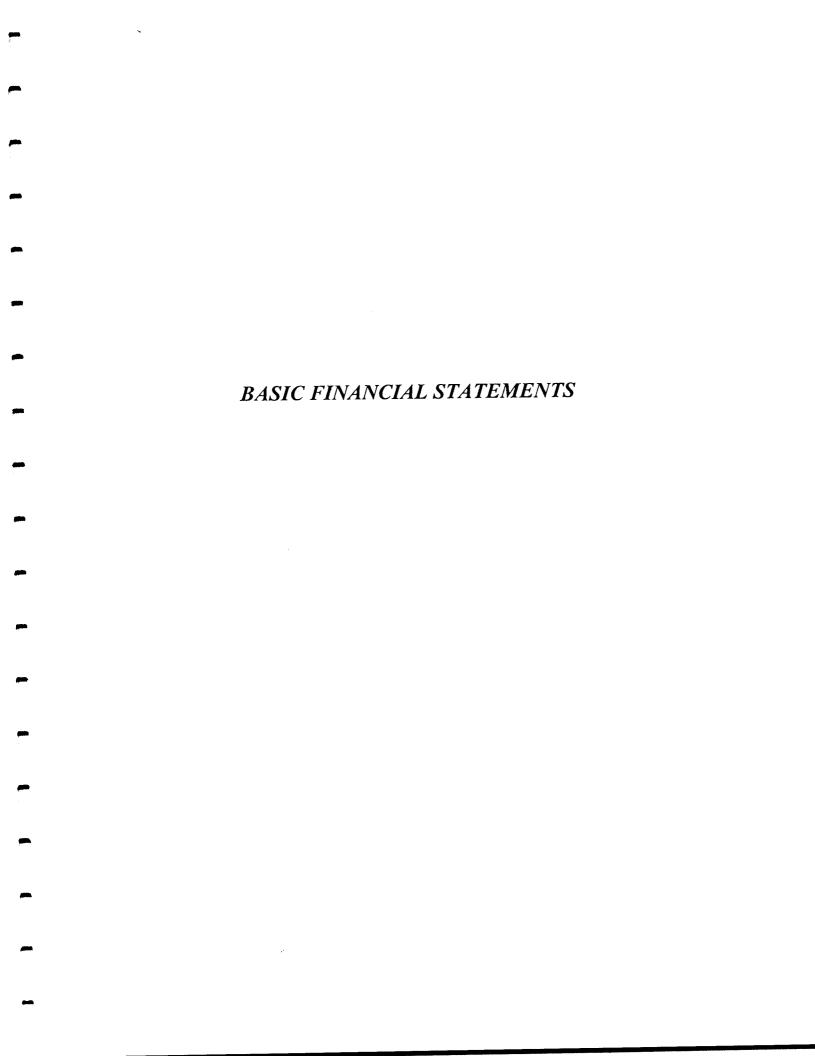
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hope Township as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hope Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthaume & Co. September 2, 2004



# STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government Governmental Activities
Assets:	e 022.002
Cash and cash equivalents	\$ 823,803
Receivables	217,309
Nondepreciable capital assets	136,904
Depreciable capital assets, net	223,388
Total assets	1,401,404
Liabilities:	10.70
Accounts payable and accrued expenses	13,769
Long-term liabilities:	210.000
Due in more than one year	210,000
Total liabilities	223,769
Net assets:	
Invested in capital assets, net of related debt	360,292
Restricted for:	
Debt service	11,806
Capital projects	464,357
Unrestricted	341,180
Total net assets	\$ 1,177,635

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

			Program Revenues							
					0	perating		Capital		
			C	harges for	Gr	ants and	G	rants and	Ne	t (Expense)
	_ <u>F</u>	Expenses	_	Services	Con	tributions	Col	ntributions	_	Revenue
Functions/Programs										
PRIMARY GOVERNMENT:										
Governmental activities:										
General government	\$	82,614	\$	5,480	\$	3,375	\$	-	\$	(73,759)
Public safety		63,015		-		28,725		-		(34,290)
Public works		82,579		76,913		-		469,450		463,784
Community and economic developm		4,822		200		-		_		(4,622)
Recreation and culture		16,660		-		14,227		_		(2,433)
Interest on long-term debt		1,747		-		-		-	_	(1,747)
Total governmental activities		251,437		82,593		46,327		469,450		346,933
Total primary government	\$	251,437	<u>\$</u>	82,593	<u>\$</u>	46,327	\$	469,450	<u>\$</u>	346,933

continued

	Primary Government Governmental Activities
Changes in net assets	
Net (Expense) Revenue	\$ 346,933
General revenues:	
Taxes:	
Property taxes, levied for general purpose	42,455
Property taxes, levied for fire protection	58,413
Franchise taxes	1,889
Grants and contributions not restricted to	
specific programs	93,373
Unrestricted investment earnings	1,952
Miscellaneous	3,268
Total general revenues	201,350
Change in net assets	548,283
Net assets, beginning of year	629,352
Net assets, end of year	\$ 1,177,635

#### GOVERNMENTAL FUNDS

#### **BALANCE SHEET**

June 30, 2004

	-	General Fund		Fire Fund	So	lid Waste Fund		ter Supply stem Debt Fund
Assets:	•	44.006	•	264.247	•	26217	•	11.006
Cash and cash equivalents Accounts receivable	. \$	44,996 4,253	\$	264,347	\$	36,317	\$	11,806
Special assessments receivable		4,233		-		-		182,900
Due from other governmental units		30,156		-		-		182,900
Due from other governmental units		30,130						
Total assets	\$	79,405	\$	264,347	\$	36,317	\$	194,706
Liabilities and Fund Balances: Liabilities:								
Accounts payable and accrued expenses	\$	4,520	\$	219	\$	7,675	\$	-
Deferred revenue		-		-				182,900
Total liabilities		4,520		219		7,675		182,900
Fund balances:								
Reserved for:								
Debt service		-		-		-		11,806
Unreserved, reported in:								
General fund		74,885		-		-		-
Special revenue funds		-		264,128		28,642		-
Capital projects funds		-		-		-		•
Total fund balances	<del></del>	74,885		264,128		28,642		11,806
Total liabilities and fund balances	\$	79,405	\$	264,347	\$	36,317	\$	194,706

continued

W	ater Supply	,				
	System		nmajor		Total	
Co	nstruction Fund	Gove	ernmental Funds	Government:Funds		
\$	464,357	\$	1,980	\$	823,803	
	-		´-		4,253	
	-		-		182,900	
	-				30,156	
<u>\$</u>	464,357	\$	1,980	\$	1,041,112	
\$	-	\$	-	\$	12,414	
_	-				182,900	
	-	**********	-		195,314	
	-		-		11,806	
	-		-		74,885	
	-		1,980		294,750	
	464,357		-		464,357	
	464,357		1,980		845,798	
<u>\$</u>	464,357	\$	1,980	\$	1,041,112	

# RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2004

Total fund balances for governmental funds	\$	845,798
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	536,339	
Less accumulated depreciation	(176,047)	360,292
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		(1,355)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		182,900
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Contract payable	_	(210,000)
Net assets of governmental activities	\$	1,177,635

#### GOVERNMENTAL FUNDS

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

		General Fund		Special Rev	enu	e Funds	Debt Fund		
				Fire Fund		Solid Waste Fund		ter Supply tem Debt Fund	
Revenues:									
Property taxes	\$	42,455	\$	58,414	\$	-	\$	-	
Licenses and permits		1,889		-		-		-	
Federal grants		05.701		27,630		•		-	
State grants		95,781		-		-		-	
Contributions from other units		- 5 (00		-		- 76 002		-	
Charges for services		5,609		1 205		76,883		-	
Interest and rents		462		1,395		168		6	
Other revenue		7,693		1,095				11,800	
Total revenues		153,889		88,534		77,051		11,806	
Expenditures:									
Current									
General government		75,638		-		-		-	
Public safety		150		55,092		-		-	
Public works		12,862		-		66,052		•	
Community and economic development		4,822		-		-		-	
Recreation and culture		14,614		-		-		-	
Other		4,393		-		-		-	
Capital outlay		7,960		2,320		-		-	
Debt service		20.000							
Principal		20,000		-		-		-	
Interest and charges		720				-			
Total expenditures		141,159	_	57,412		66,052		-	
Excess (deficiency) of									
revenues over expenditures		12,730		31,122		10,999		11,806	
Other Financing Sources:									
Capital-related debt issued		_		-		_		_	
								<del></del>	
Total other financing sources				-		-		-	
Net change in fund balance		12,730		31,122		10,999		11,806	
Fund balance, beginning of year		62,155		233,006		17,643		-	
Fund balance, end of year	\$	74,885	\$	264,128	\$	28,642	\$	11,806	

	al Projects Fund					
Water Supply System Construction Fund		Gov	onmajor ernmental Funds	Total Governmental Funds		
\$	-	\$	-	\$	100,869	
	-		-		1,889	
	274,750		-		302,380	
	-		-		95,781	
	-		- 19		82,492	
	-		10,772		2,050 31,360	
	274.750					
	274,750		10,791		616,821	
	-		-		75,638	
	-		-		55,242	
	-		-		78,914	
	-		-		4,822 14,614	
	-		_		4,393	
	15,175		10,113		35,568	
	-		-		20,000 720	
	15,175		10,113		289,911	
	259,575		678		326,910	
	204,782		_		204,782	
	204,782		-		204,782	
	464,357		678		531,692	
	-		1,302		314,106	
\$	464,357	\$	1,980	\$	845,798	

# RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES INF UND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

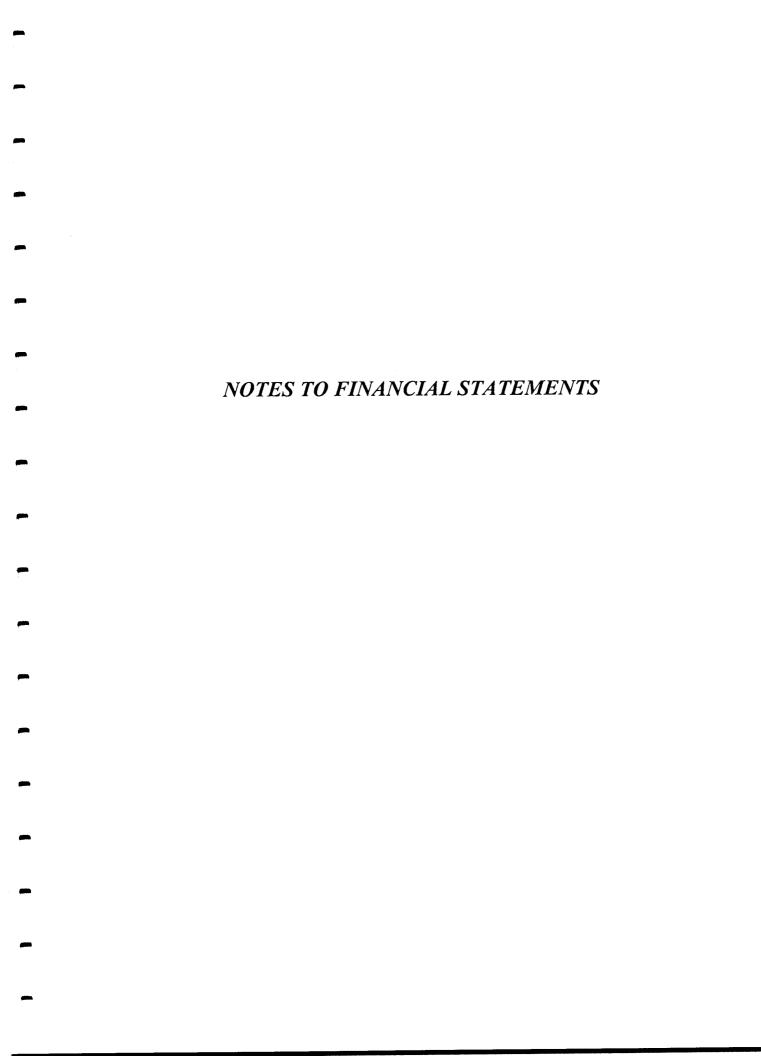
Net change in fund balances - total governmental funds		\$	531,692
Total change in net assets reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	33,235		
Less depreciation expense	(8,517)		24,718
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.			182,900
Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities.			(210,000)
Repayments of principal on bonds and other contracts is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.			20,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest on bonds payable			(1,027)
Change in net assets of governmental activities		<u>\$</u>	548,283

#### FIDUCIARY FUND

#### STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004

	Agency Fund
Assets: Cash and cash equivalents	\$ 253
Total assets	
Liabilities: Accounts payable	253
Total liabilities	253
Net Assets: Unrestricted	<u>\$</u>



#### NOTES TO FINANCIAL STATEMENTS

June 30, 2004

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

Hope Township (the "Township") has determined that no entities should be consolidated into its basic financial statements as component units. The criteria for including a component unit includes significant operational or financial relationships with the Township. Therefore, the reporting entity consists only of the primary government.

#### Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

#### **Basis of Accounting**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities. The Township's only activities are governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related

program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

June 30, 2004

#### **FUND FINANCIAL STATEMENTS**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available.

Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

<u>General Fund</u> – The General Fund is the primary operating fund of the Township. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

<u>Fire Fund</u> – The Fire Fund accounts for the separate voted millage for the purpose of providing fire protection.

<u>Solid Waste Fund</u> – The Solid Waste Fund accounts for the special assessment levy for the purpose of providing garbage and rubbish collection.

<u>Water Supply System Debt Fund</u> – The Water Supply System Debt Fund accounts for the debt service principal and interest payments in relation to a bond issuance.

<u>Water Supply System Construction Fund</u> – The Water Supply System Construction Fund accounts for the construction of a water supply system.

June 30, 2004

#### Assets, Liabilities and Equity

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

<u>Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Property Taxes</u> – Property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Midland County.

The 2003 taxable valuation of the Township totaled \$35,121,657, on which ad valorem taxes levied consisted of 1.2038 mills for the Township's operating purposes and 1.6486 mills for fire.

The delinquent real property taxes of the Township are purchased by Midland County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	75-100 years
Vehicles	30-50 years
Furniture and other equipment	5-25 years

<u>Long-term Obligations</u> – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

June 30, 2004

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

#### **Accounting Change**

GASB Statement No. 34 - Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. Changes to the financial statements as a result of GASB No. 34 are as follows:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has not been included.

Government-wide financial statements prepared using full accrual accounting for all of the Township's activities has been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$503,104 of which \$448,406 was previously reported in the General Fixed Assets Account Group. Capital assets at July 1, 2003 have been adjusted by \$167,530 to reflect the historical cost of the Township's capital assets at that date. In addition, the governmental activities column includes bonds and other long-term obligations totaling \$20,328, of which \$20,000 was previously reported in the General Long-term Debt Account Group.

June 30, 2004

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Budgetary Information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The Township Treasurer submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to July 1, the budget is legally enacted by adoption of the Township Board.
- 4. Any revision that alters the total expenditures of any fund must be approved by the Township.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures Over Appropriations in Budgeted Funds**

During the year, the Township incurred expenditures that were materially in excess of the amounts budgeted, as follows:

						Actual
		Final				Over
	<u>Bu</u>				Fin	al Budget
General Fund:						
Recreation and culture	\$	14,933	\$	16,990	\$	2,057
Debt service		-		20,720		20,720

#### **NOTE 3: DEPOSITS AND INVESTMENTS**

The Township's deposits and investments at June 30, 2004 are included in the statement of net assets under the following categories:

Governmental
Activities

\$ 823,803

Cash and cash equivalents

June 30, 2004

#### **Deposits**

The breakdown between deposits and investments for the Township is as follows:

	Primary				
	Government				
Bank deposits (checking accounts, savings accounts,					
and certificates of deposit)	\$	46,018			
Deposits held by the County		464,357			
Investments in public funds		313,428			
Total	\$	823,803			

The deposits of the primary government (excluding deposits held by the County) were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$60,307, which is covered by federal depository insurance. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

#### **Investments**

State statutes authorize the Township to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Township.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Township or its agent in the Township's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end, the Township's investment balances were categorized as follows:

	 Risk Category						
	 1		2	<del></del>	3		Amount air Value)
Investments not subject to categorization:							
Standard Federal Bank - Public Funds							
Investment Trust	\$ -	\$	-	\$	_	\$	313,428

June 30, 2004

#### **NOTE 4: CAPITAL ASSETS**

Capital assets activity of the Township's governmental activities was as follows:

	Balance July 1, 2003		Additions		Disposals and Adjustments			Balance June 30, 2004
Governmental activities:								
Capital assets not being depreciated								
Land	\$	136,904	\$	-	\$	-	\$	136,904
Capital assets being depreciated								
Buildings and improvements		129,100		-		-		129,100
Equipment		237,100		12,842		-		249,942
Construction in progress - water line		-		20,393		-		20,393
Total capital assets being depreciated		366,200		33,235		-		399,435
Accumulated depreciation								
Buildings and improvements		32,381		1,508		-		33,889
Equipment		135,149		7,009		-		142,158
Total accumulated depreciation		167,530		8,517	-	-		176,047
Net capital assets being depreciated		198,670		24,718			<del></del>	223,388
Net governmental activities capital assets	<u>\$</u>	335,574	\$	24,718	\$		\$	360,292

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,788
Public safety	5,453
Recreation and culture	 1,276
Total governmental activities	\$ 8,517

June 30, 2004

#### **NOTE 5: LONG-TERM DEBT**

The Township issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

		Principal				Duc
	Interest	Maturity	Beginning	Additions	Ending	Within
	Rate Ranges	Ranges	Balance	(Reductions)	Balance	One Year
Governmental activities:						
Revenue sharing bond - 1989 MBIA						
Revenue Sharing Bond						
Maturing through October 2003	6.55-7.20%	\$20,000	\$ 20,000	\$ (20,000)	\$ -	\$ -
Contract payable to Midland County -						
Water Supply System Special						
Assessment						
Amount of Issue - \$210,000						
Maturing through August 2024	1.75-4.75%	\$5,000-12,500	-	210,000	210,000	-
Total governmental activities			\$ 20,000	\$ 190,000	\$ 210,000	<u>\$ -</u>

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

	Governmental Activities								
Year Ended June 30,	<u>Pr</u>	incipal		Interest	Total				
2005	\$	-	\$	5,421	\$	5,421			
2006		5,000		8,088		13,088			
2007		7,500		7,973		15,473			
2008		10,000		7,781		17,781			
2009		10,000		7,521		17,521			
2010-2014		50,000		32,743		82,743			
2015-2019		52,500		23,089		75,589			
2020-2024		62,500		10,216		72,716			
2025		12,500		297		12,797			
	\$	210,000	\$	103,129	\$	313,129			

June 30, 2004

#### NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental activities in the aggregate are as follows:

	Governmental Activities				
Receivables:					
Special assessments					
Due within one year	\$	9,145			
Due in more than one year		173,755			
Accounts		4,253			
Intergovernmental		30,156			
Total receivables	\$	217,309			
Accounts payable and accrued expenses:					
Accounts	\$	11,475			
Payroll and related liabilities		939			
Interest		1,355			
Total accounts payable and accrued expenses	\$	13,769			

#### NOTE 7: INTERFUND BALANCES AND TRANSFERS

There were no interfund balances at year end or transfers during the fiscal year.

#### **NOTE 8: RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Township has purchased commercial insurance for property loss, torts, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

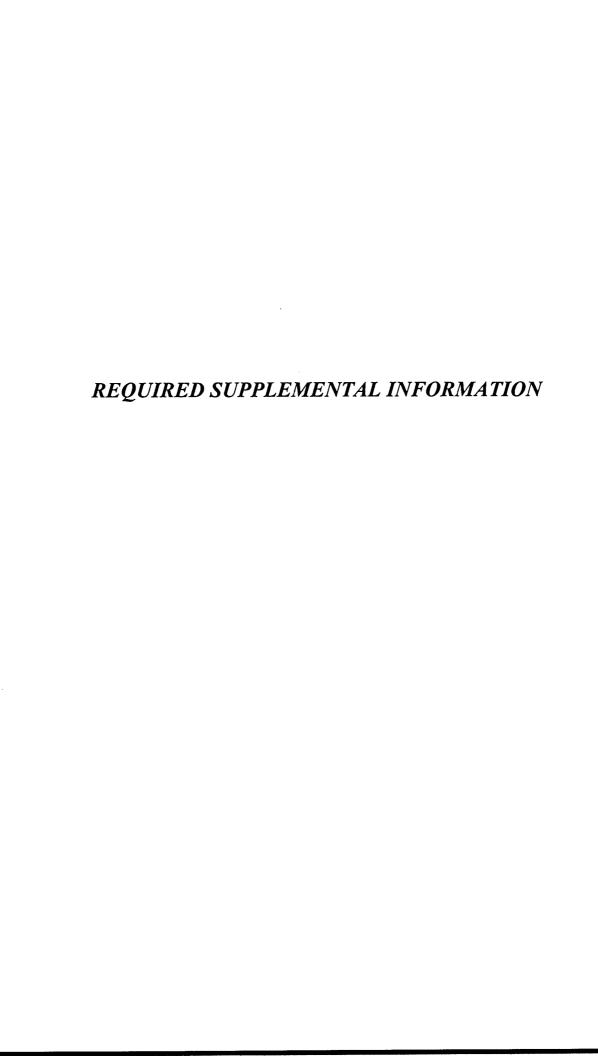
June 30, 2004

#### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

#### **Defined Contribution Pension Plan**

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contribution to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Covered employees are considered eligible to participate immediately, and are immediately 100% vested.

The Township maintains a defined contribution pension plan for all members of the Township Board. The cligible employees are required to contribute 6.2% or 7.65% of their gross carnings, and the Township is required to contribute an amount equal to 6.2% or 7.65% of the employee's gross earnings. These contributions are paid to Raymond James Financial Services, which serves to maintain the pension plan. Actual contributions were \$2,744 for the year ended June 30, 2004.



#### **BUDGETARY COMPARISON SCHEDULE**

		Budgeted	ounts				Actual r (Under)	
	<u> </u>	riginal		Final		Actual		al Budget
Revenues:								
Property taxes	\$	42,979	\$	42,979	\$	42,455	\$	(524)
Licenses and permits		50		1,939		1,889		(50)
State grants		98,397		98,177		95,781		(2,396)
Charges for services		3,400		3,308		5,609		2,301
Interest and rents		475		175		462		287
Other revenue		2,200		3,602		7,693		
Total revenues		147,501	_	150,180		153,889		(382)
Expenditures:								
General government		74,814		81,331		75,638		(5,693)
Public safety		-		-		150		150
Public works		42,699		31,784		12,862		(18,922)
Community and economic development		2,250		4,561		4,822		261
Recreation and culture		16,000		14,933		14,614		(319)
Other		5,500		4,248		4,393		145
Capital outlay		-		-		7,960		7,960
Debt service								
Principal		-		-		20,000		20,000
Interest and charges	<del></del>	-		-	_	720		720
Total expenditures		141,263		136,857		141,159		4,302
Excess (deficiency) of								
revenues over expenditures		6,238		13,323	_	12,730		(593)
Net change in fund balance		6,238		13,323		12,730		(593)
Fund balance, beginning of year		62,155		62,155	_	62,155		-
Fund balance, end of year	\$	68,393	\$	75,478	<u>\$</u>	74,885	<u>\$</u>	(593)

#### SPECIAL REVENUE FUND – FIRE FUND

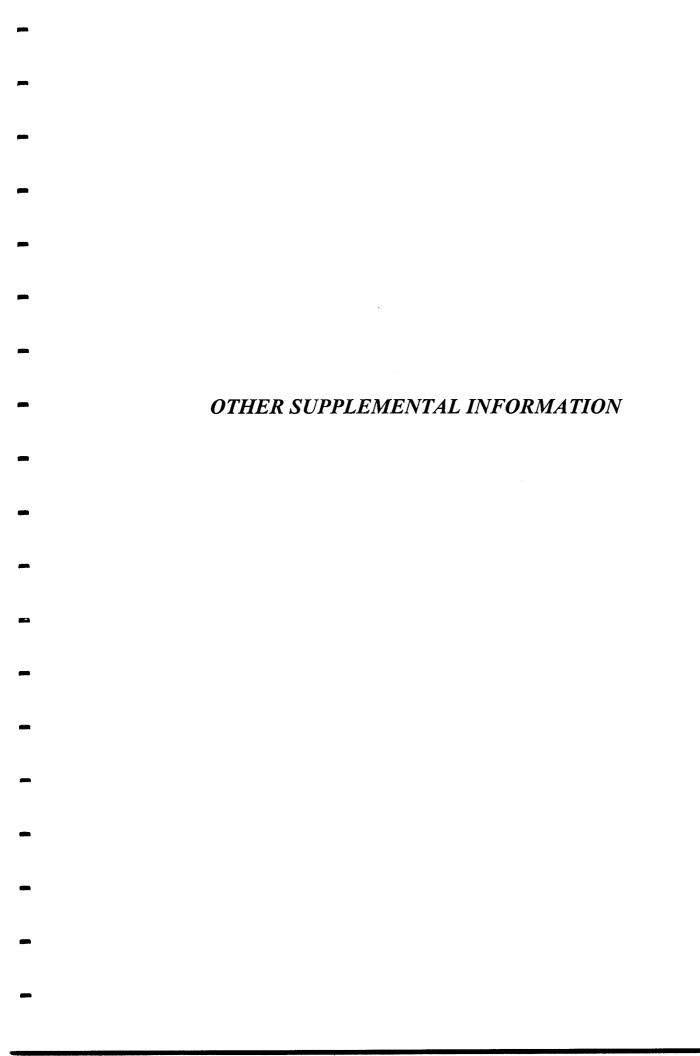
#### **BUDGETARY COMPARISON SCHEDULE**

							A	Actual	
		Budgeted Amounts					Over (Under)		
	Original Final		Actual		Final Budge				
Revenues:									
Property taxes	\$	56,274	\$	56,274	\$	58,414	\$	2,140	
Federal grants		-		-		27,630		27,630	
Interest and rents		-		-		1,395		1,395	
Other revenue						1,095			
Total revenues		56,274	<del></del>	56,274		88,534		31,165	
Expenditures:									
Public safety		56,274		56,274		55,092		(1,182)	
Capital outlay		-		-	_	2,320		2,320	
Total expenditures	<u></u>	56,274		56,274		57,412		1,138	
Excess (deficiency) of									
revenues over expenditures	<del></del>		<del></del>	-		31,122		30,027	
Net change in fund balance		-		-		31,122		30,027	
Fund balance, beginning of year		233,006		233,006	<del></del>	233,006		-	
Fund balance, end of year	\$	233,006	<u>\$</u>	233,006	\$	264,128	\$	30,027	

#### SPECIAL REVENUE FUND – SOLID WASTE FUND

#### **BUDGETARY COMPARISON SCHEDULE**

							A	Actual	
	Budgeted Amounts						Over	r (Under)	
	0	Original Final				Actual	Final Budget		
Revenues:									
Charges for services	\$	64,993	\$	64,993	\$	76,883	\$	11,890	
Interest and rents		102		102		168		66	
Total revenues		65,095		65,095		77,051		11,956	
Expenditures:									
Public works		66,568		66,568		66,052		(516)	
Total expenditures		66,568		66,568		66,052		(516)	
Excess (deficiency) of									
revenues over expenditures		(1,473)		(1,473)		10,999		12,472	
Net change in fund balance		(1,473)		(1,473)		10,999		12,472	
Fund balance, beginning of year		17,643		17,643		17,643	****	-	
Fund balance, end of year	\$	16,170	\$	16,170	<u>\$</u>	28,642	<u>\$</u>	12,472	



#### **DETAILED SCHEDULE OF REVENUES**

Revenues:	
Current Taxes:	
Property taxes	\$ 42,455
• •	42,455
Licenses and Permits:	<del> </del>
CATV franchise fees	1,889
	1,889
State Grants:	
Summer state education tax reimbursement	2,408
State revenue sharing - sales tax	89,797
Metro authority - public right of way	2,579
Swamp tax	997
- Company	95,781
Chausas for Caminas	75,761
Charges for Services: Cemetery fees	4.020
Zoning/Variance/Appeals fees	4,939 200
Other	470
	5,609
Interest and Rents:	
Interest  Interest	202
Rents	392
Rems	
	462
Other Revenue:	
Contributions and donations	4,422
Reimbursements	1,414
Insurance recoveries	126
Refunds & rebates	60
Other	1,671
	7,693
Total revenues	\$ 153,889

## **DETAILED SCHEDULE OF EXPENDITURES**

Expenditures:	
General Government:	
Board:	<b>A</b> 500
Personnel	\$ 4,590
Supplies	254
Dues and memberships	165
Education and training	2,511
Printing and publications	128
Insurance	3,258
Other	3,776
	14,682
Supervisor:	
Personnel	6,747
Supplies	228
Dues and memberships	50
Education and training	20
	7,045
Clerk:	
Personnel	7,349
Supplies	2,299
Telephone	527
	10,175
Board of Review:	
Personnel	494
Travel/Mileage	32
Printing and publications	40
Other	26
	592
Treasurer:	
Personnel	9,349
Supplies	1,779
Telephone	540
Dues and memberships	35
Education and training	102
Other	50
	11,855
Assessor: Personnel	0.140
	9,148
Supplies Dues and memberships	701
Dues and memberships	105
Printing and publications	555
	10,509

# **DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)**

General Government (continued):	
Elections:	
Supplies	\$ 329
Telephone	62
Other	1,778
	2,169
Buildings and Grounds:	
Utilities	471
Repairs and maintenance	1,240
Other	133
	1,844
Attorney:	
Contracted services	1,683
	1,683
Cemetery:	
Personnel	150
Contracted services	6,208
Utilities	633
Repairs and maintenance	7,951
Other	142
	15,084
Total general government	75,638
Public Safety:	
Protective Inspection and Regulation:	
Personnel	150
	150
Public Works:	
Highways, Roads, Streets:	
Supplies	4,440
	4,440
Street Lighting:	4,440
Utilities	1.627
Ctitites	1,627
W . D .	1,627
Water Board:	
Printing and publications Other	459
Ouici	6,336
	6,795
Total public works	12,862
<b>4</b>	12,002

# **DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)**

Community and Economic Development:	
Planning:	
Personnel	\$ 1,354
Education and training	2,898
Printing and publications	72
Other	53
	4,377
Zoning:	
Personnel Other	263
Other	<u>182</u> 445
Total community and economic development	4,822
Recreation and Culture:	
Recreation/Parks:	
Personnel	2,891
Supplies	216
Contracted services	4,200
Utilities	569
Repairs and maintenance	438
Other	2,612
	10,926
Library: Other	2.600
Other	3,688
	3,688
Total recreation and culture	14,614
Other:	
Insurance	595
Fringe benefits	2,315
Payroll taxes	1,483
B.L.C.	4,393
Debt Service:	
Principal Interest and fees	20,000 720
interest and rees	$\frac{-720}{20,720}$
Capital Outlay:	20,720
General government	1,919
Public works	3,665
Recreation and culture	2,376
	7,960
Total expenditures	\$ 141,159

# NONMAJOR GOVERNMENTAL FUNDS

## **COMBINING BALANCE SHEET**

Assets:	Chapel Fund	Park Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 975	\$ 1,005	\$ 1,980
Total assets	\$ 975	\$ 1,005	\$ 1,980
Fund Balances: Unreserved, reported in: Special revenue funds	975	1,005	1,980
Total fund balances	<b>\$</b> 975	\$ 1,005	\$ 1,980

# NONMAJOR GOVERNMENTAL FUNDS

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Specia	Special Revenue Funds			
	Chape Fund		Park Fund	Total Nonmajor Governmental Funds	
Revenues:					
Interest and rents	\$		\$ 5	\$ 19	
Other revenue		545	10,227	10,772	
Total revenues		559	10,232	10,791	
Expenditures:					
Capital outlay		483	9,630	10,113	
Total expenditures		483	9,630	10,113	
Excess (deficiency) of revenues over expenditures		76	602	678	
Net change in fund balance		76	602	678	
Fund balance, beginning of year		899	403	1,302	
Fund balance, end of year	\$	975	\$ 1,005	\$ 1,980	

#### FIDUCIARY FUND – AGENCY FUND

# COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

	Current Tax Collection Fund			
	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Assets:				
Cash and cash equivalents	<u>\$ 1</u>	\$ 952,646	\$ 952,394	<u>\$ 253</u>
Total assets	\$ 1	\$ 952,646	\$ 952,394	\$ 253
Liabilities:				
Accounts payable	-	155,136	154,883	253
Due to other units	1	797,510	797,511	-
Total liabilities	<u>\$ 1</u>	\$ 952,646	\$ 952,394	\$ 253



60 Harrow Lane Saginaw, Michigan 48603

> (989) 791-1555 Fax (989) 791-1992

To the Township Board Hope Township, Michigan

We have completed our audit of the financial statements of Hope Township for the year ended June 30, 2004, and have issued our report thereon dated September 2, 2004. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The City's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute, assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Hope Township taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness. We want to bring the following to your attention however:

#### Credit Card Usage

During our audit, it was noted that the Township is not in compliance with its credit card policy. According to the policy, the "Township officers and employees who use a Township credit card shall, as soon as possible, submit a copy of the vendor's credit card slip to the Township Clerk. If no credit card slip was obtained . . . the employee shall submit a signed voucher" that details the transaction and "vouchers shall also include a statement why a credit card slip was not obtained". To test the policy, two credit card statements were chosen in separate months to verify all required documentation was attached to the credit card statement.

The following was noted:

- Credit card statement paid in July 2003 had partial support for the charges but not all required documentation was attached.
- Credit card statement paid in March 2004 had no required documentation attached.

The use of a credit card must be closely monitored to ensure that no unauthorized transaction are occurring and that it is used only for purchase of goods or services for the official business of the Township. If close monitoring is not taking place, the Township is highly susceptible to fraudulent activity through misappropriation. In addition, it was noted that the Township has incurred finance charges on the credit card.

We recommend that the Township comply with the credit card policy in place and closely monitor all transactions occurring. If the credit card statement is due before all required documentation has been remitted to substantiate purchases, require that the Township officer or employee pay for the purchases and request reimbursement from the Township when the documentation is provided to the Township. If the credit card statement is due before the Township Board is able to approve payment, hold a special meeting to approve the payment of the credit card statement.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination. If there is a need to discuss the above comments further, please contact us at your convenience.

Sincerely,

Berthiaume & Company

Certified Public Accountants

Borthaume & lo

September 2, 2004

